

HESSTON RECREATION COMMISSION

HESSTON, KANSAS

Special Financial Statements

June 30, 2011

Hesston Recreation Commission

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June 30, 2011

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Hesston Recreation Commission  
Hesston, Kansas

We have audited the accompanying special purpose financial statements of Hesston Recreation Commission, a component unit of Unified School District No. 460, Hesston, Kansas, as of and for the year ended June 30, 2011. These component unit financial statements are the responsibility of the Hesston Recreation Commission. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the Commission's 2010 financial statements and, in our report dated September 20, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Commission has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the Commission's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hesston Recreation Commission as of June 30, 2011, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Hesston Recreation Commission as of June 30, 2011, and its cash receipts and expenditures for the year then ended taken as a whole on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company LLC*

Certified Public Accountants

September 26, 2011

## STATEMENT 1

## Hesston Recreation Commission

## SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH

Year ended June 30, 2011

FUNDS	Unencumbered Cash Balance 6-30-2010	Cash Receipts	Expenditures	Unencumbered Cash Balance 6-30-2011	Accounts Payable and Encumbrances	Cash Balance 6-30-2011
<b>General Fund</b>	\$ 39,183	210,706	209,393	40,496	-	40,496
<b>Employee Benefit and Tort Liability Fund</b>	6,138	19,000	18,843	6,295	712	7,007
	<u>\$ 45,321</u>	<u>229,706</u>	<u>228,236</u>	<u>46,791</u>	<u>712</u>	<u>47,503</u>

**Composition of Cash Balance**

Citizens State Bank	\$ 46,503
NOW account	1,000
Petty cash checking account	\$ 47,503



Hesston Recreation Commission  
SUMMARY STATEMENT OF EXPENDITURES -  
ACTUAL AND BUDGET  
Year ended June 30, 2011

	Certified <u>Budget</u>	Expenditures Chargeable to <u>Current Year</u>	Variance Over <u>(Under)</u>
<b>General Fund</b>	\$ 217,840	209,393	(8,447)
<b>Employee Benefit and Tort Liability Fund</b>	<u>23,328</u>	<u>18,843</u>	<u>(4,485)</u>
	<u>\$ 241,168</u>	<u>228,236</u>	<u>(12,932)</u>

## Hesston Recreation Commission

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>GENERAL FUND</b>				
Receipts				
Appropriations from Unified				
School District No. 460	\$ 100,629	108,000	108,000	-
Pool fees	23,822	28,591	24,000	4,591
League fees	29,668	27,348	28,600	(1,252)
Junior golf	5,289	4,023	5,400	(1,377)
Babe Ruth	11,105	6,562	9,800	(3,238)
Special trips	6,894	4,857	8,400	(3,543)
Emma Creek festival	24,192	26,568	23,500	3,068
Other activities	2,853	4,757	3,900	857
	<u>204,452</u>	<u>210,706</u>	<u>211,600</u>	<u>(894)</u>
Expenditures				
Pool operation	35,698	39,312	38,000	1,312
General administration	71,219	75,384	75,470	(86)
Baseball and softball	10,402	11,897	13,100	(1,203)
Basketball	9,717	10,341	10,500	(159)
Soccer	2,436	3,041	2,450	591
Junior golf	5,197	3,788	5,448	(1,660)
Babe Ruth	9,715	7,100	9,450	(2,350)
Special trips	6,774	5,056	8,200	(3,144)
Emma Creek festival	20,382	18,657	16,800	1,857
Operation of vehicles	555	380	1,080	(700)
Capital improvements	1,080	16,212	17,100	(888)
Facility rental	5,000	5,000	5,000	-
Fastpitch	578	-	-	-
Other activities	10,985	13,225	15,242	(2,017)
	<u>189,738</u>	<u>209,393</u>	<u>217,840</u>	<u>(8,447)</u>
Receipts over (under) expenditures	14,714	1,313		
Unencumbered cash, beginning	<u>24,469</u>	<u>39,183</u>		
Unencumbered cash, ending	\$ 39,183	40,496		

See notes to financial statements

## Hesston Recreation Commission

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	<u>2011</u>		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>EMPLOYEE BENEFIT AND TORT LIABILITY FUND</b>				
Receipts				
Appropriations from Unified School District No. 460	\$ 19,821	19,000	19,000	-
Expenditures				
Employee benefits	15,226	16,454	19,200	(2,746)
Liability insurance	3,017	2,389	4,128	(1,739)
	18,243	18,843	23,328	(4,485)
Receipts over (under) expenditures	1,578	157		
Unencumbered cash, beginning	4,560	6,138		
Unencumbered cash, ending	\$ 6,138	6,295		



NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hesston Recreation Commission is a component unit of the Unified School District No. 460, Hesston, Kansas. These financial statements include only the activity of the Commission for the year ended June 30, 2011.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Hesston Recreation Commission for the year ending June 30, 2011:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.



NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation that shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue, and reservations of the fund balance, are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases and compensated absences are not presented in the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Kansas statutes require that Kansas municipalities legally adopt an annual operating budget for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds, if applicable.

The statutes provide for the following budgeting sequence for recreation commissions:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget at least ten days prior to the date of the hearing (latest date for publication is July 12).
2. Public hearing at least ten days prior to the date the recreation commission must certify its budget to the city or school district (latest date for hearing is July 22).
3. Certify the adopted budget to the city or school district on or before August 1.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.



NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BUDGETARY INFORMATION (Continued)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as the purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Unified School District No. 460, Hesston, Kansas is the tax levying body for the Commission.

3. AGREEMENT WITH UNIFIED SCHOOL DISTRICT NO. 460

The Commission has entered into an agreement with Unified School District No. 460 that defines their respective rights, responsibilities, and obligations with regard to the operation and administration of the public recreation system.

The agreement primarily identifies the employment of a recreation director, facilities and equipment rentals, and respective financial responsibilities for replacement and/or repairs, and acquisition and construction of new projects.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Hesston Recreation Commission held no investments during the year ended June 30, 2011.

Concentration of Credit Risk

State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has not designated peak periods. All deposits were legally secured at June 30, 2011.



Hesston Recreation Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits (Continued)

At June 30, 2011, the carrying amount of the Commission's deposits was \$47,503. The bank balances totaled \$47,503 which were covered by FDIC insurance.

5. COMPLIANCE WITH KANSAS STATUTES

Management of the Hesston Recreation Commission is not aware of any statutory violation occurring in the year ended June 30, 2011.

6. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through September 26, 2011, which is the date at which the financial statements were available to be issued.